

Testimony in Support of Senate Bill No. 219 – An Act Concerning the Municipal Employee Retirement System Contribution Rate

**Labor & Public Employees Committee – Public Hearing
February 27, 2014**

**Matthew W. Hart
Town Manager, Town of Mansfield**

Thank you for the opportunity to testify in support of Senate Bill No. 219, an act that would increase the contribution rate for members of the Municipal Employee Retirement System (MERS).

Mansfield's regular employees working 20 or more hours per week and our full-time firefighter/EMT's participate in MERS. Many of our non-certified school employees are also enrolled in MERS.

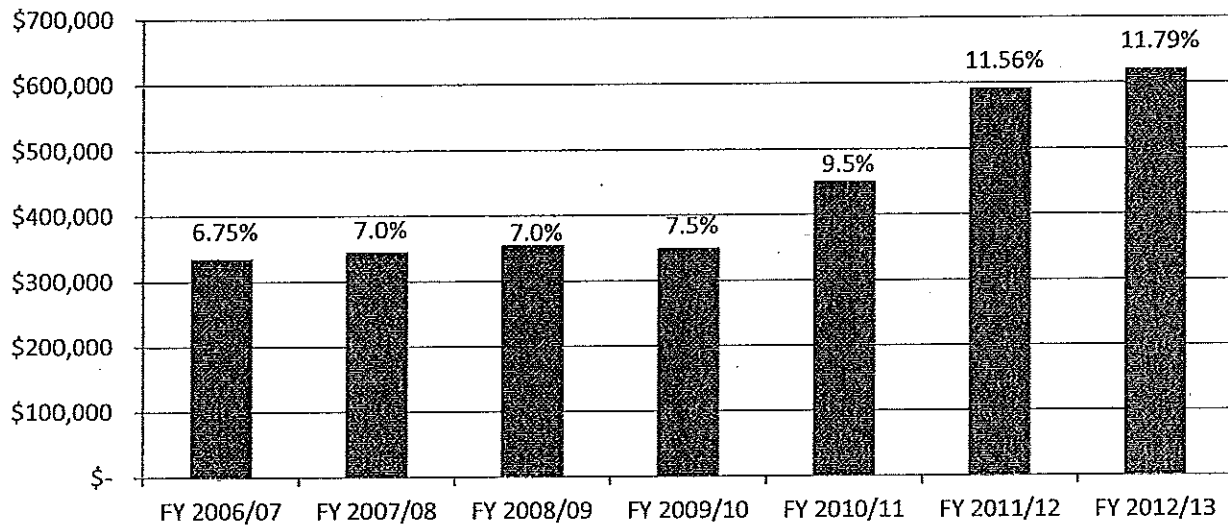
As you will note on the attached spreadsheet, the employer contribution since the inception of MERS has averaged 7.70% for regular employees and 10.69% for police/fire. On its face, this historical contribution rate may not appear that onerous. However, I have also attached a graph that illustrates the volatility in the employer contribution, particularly over the last 10 years. As noted by CCM, from 2002-12 the employer contribution rate has increased by 392% (3% to 11.76% of payroll) for regular employees and by 444% (3.75% to 16.65% of payroll) for public safety employees. The dollars associated with the increase in the employer share are significant. In FY 2007/08, Mansfield paid \$608,669 into MERS on a payroll of \$8,548,663. In FY 2012/13, the amount the Town paid to MERS increased to \$1,130,595 on a payroll of \$9,066,289. This increase totals \$521,926 or 86% over a five year period in which wages increased by only 6% in aggregate. The past five to six years have been very difficult for all levels of government and the recent increases to the employer contribution to MERS have placed an enormous strain on Mansfield's operating budget. In addition, the challenge to funding MERS has made the Town more reticent to fill employee vacancies and to hire new full-time employees.

You may ask why, given this significant increase in the employer contribution rate, the Town of Mansfield has not moved to leave MERS or to create a new plan for new hires. The answer is multifaceted. Notably, under state law a participating municipality can create a successor plan to MERS only if that plan is of equal value to the state plan. Furthermore, the Town must enroll all eligible employees in MERS and there is no ability to create a separate plan for new hires.

SB 219 would help to resolve the challenge of funding MERS by increasing the employee contribution over time, which has remained flat at 2.25% of payroll since the inception of the plan. Alternatively, Mansfield would join its municipal colleagues and CCM in supporting the creation of a new tier within MERS. Such a new tier could be modeled after the State's tier III, which currently exists within the state employee retirement system (SERS). There has only been one tier within MERS since the system was established in 1947. By sharing the burden more equitably between the employer and the employee, MERS would become more sustainable in the future, to the benefit of both taxpayers and municipal employees.

I encourage your support of Senate Bill No. 219, and would be happy to answer any questions you may have.

Town of Mansfield Employer Cost - MERS Regular Employees



Town of Mansfield Employer Cost - MERS Police/Fire Employees

